

Newsletter from Contractors Licensing Board

By Elizabeth Wisdom

July 1, 2014

We now have close to 19000 contractors and there are several that have similar names. When an application is sent in and is not complete, it goes into a pending cart. It is extremely easy to confuse information, especially when you have thousands of applications in the pending carts at a given time.

There was one example, when we had two contractors that expired at the same time and had exactly the same name. Both went into pending for missing financials. One was from Tennessee and one from Arkansas. When the financials came in they came in about the same time. We accidentally put the Tennessee contractors financial with the Arkansas contractor and the Arkansas contractors financial with the Tennessee contractor. The Tennessee contractor was not approved because there was a negative working capital which was really the Arkansas contractor's numbers. The Arkansas contractor was approved because he had the Tennessee contractor's financial and should not have been approved. What a mess!!!

We have established individual identification numbers for all contractor files (this is NOT the license number). PLEASE, PLEASE use this number when you are submitting anything to us. This ID number is found on the contractor's license in the upper right hand corner. It is also found in the top center of the renewal application and if there is ever a letter sent from our office it will be on the letter.

If you cannot get the number from your client please call and ask what it is before submitting any information to us, to assure this mistake will not happen again. When you call me I will look up the contractor and I will confirm the address and/or officers/owners of the company just to make sure I have given you the correct one.

Active License:

A license application, financial and fee are received on or before the expiration of a license. The bond and/or workers compensation must be current. The application will then be renewed at the next board meeting unless there is a problem. If the application and fee only are received (on or before the expiration date of the license) the license will remain active until the 4th Friday of the second month after the expiration date for commercial applications and the Wednesday before the 4th Friday of the second month if it is a Residential application.

Ex: Expiration date is May 31, 2014 *COMMERCIAL*
We receive the application and fee only, the license will remain active until July 25, 2014, but the financial is due on July 11, 2014.

We receive the complete renewal application, fee and financial on May 28th the license will be renewed on June 20, 2014. If there is a problem with the financial, the application will still go to the board but will be placed in IMPROVE status until July 25, 2014.

We receive the renewal application, fee and financial on time and everything meets the requirements for the license renewal, but the bond or workers compensation has expired. The renewal application will still go to the board meeting on June 20, 2014 but the renewal license will not be activated until we have the current bond and/or workers compensation.

Ex: Expiration date is May 31, 2014 *RESIDENTIAL*

We receive the application and fee only, the license will remain active until July 23, 2014, but the financial is due on July 09, 2014.

We receive the complete renewal application, fee and financial on May 28th the license will be renewed on June 18, 2014. If there is a problem with the financial, the application will still go to the board but will be placed in IMPROVE status until July 23, 2014.

We receive the renewal application, fee and financial on time and everything meets the requirements for the license renewal, but the workers compensation has expired. The renewal application will still go to the board meeting on June 18, 2014 but the renewal license will not be activated until we have the current workers compensation.

**Contractors Licensing Board
Schedule of meeting 2014**

COMMERCIAL BOARD

<u>Expiration Date</u>	<u>License will stay Active till</u>	<u>Missing Info Due date</u>
5-31-2014	7-25-2014	7-11-2014
6-30-2014	8-22-2014	8-8-2014
7-31-2014	9-26-2014	9-12-2014
8-31-2014	10-24-2014	10-10-2014
9-30-2014	TBA	TBA
10-31-2014	TBA	TBA
11-30-2014	1-23-2015	1-9-2015
12-31-2014	2-27-2015	2-13-2015
1-31-2015	3-27-2015	3-13-2015
2-28-2015	4-24-2015	4-10-2015
3-31-2015	5-22-2015	5-8-2015
4-30-2015	6-26-2015	6-12-2015

RESIDENTIAL COMMITTEE

<u>Expiration Date</u>	<u>License will stay Active till</u>	<u>Missing Info Due date</u>
5-31-2014	7-23-2014	7-09-2014
6-30-2014	8-20-2014	8-06-2014
7-31-2014	9-24-2014	9-10-2014
8-31-2014	10-22-2014	10-08-2014
9-30-2014	TBA	TBA
10-31-2014	TBA	TBA
11-30-2014	1-22-2015	1-7-2015
12-31-2014	2-25-2015	2-11-2015
1-31-2015	3-25-2015	3-11-2015
2-28-2015	4-22-2015	4-08-2015
3-31-2015	5-20-2015	5-09-2015
4-30-2015	6-24-2015	6-10-2015

Improve Status:

The application was not approved by the board for one reason or another. A contractor has 90 days to complete an application once it is received by the board or committee. THE LICENSE HOWEVER WILL EXPIRE ON THE DATE IN THE LETTER. This is true whether it is a new application or a renewal application. When all the information needed for the application process is

taken to the board or committee they have the option to APPROVE, DENY or place the application in IMPROVE status. Improve status gives the contractor 90 days from the meeting date to send additional information, appear or correct the area that the board or committee feels is lacking for approval. This DOES NOT MEAN THE LICENSE IS EXTENDED 90 Days.

If the application is a new one, the license will not issued until the application is actually approved.

EX: The NEW application was received on March 1. The application was not completed until May 1 so it was taken to the board meeting on May 9th. There had been a prior violation and the contractor had not paid that violation penalty. The board places the application in IMPROVE status and a letter will go to the contractor telling him the prior violation needs to be paid. From May 9th the application has been extended to August 9th (90 days) to comply with the boards' condition before a new application and fee would be required. THERE IS NO LICENSE ISSUED DURING THIS TIME. The application would then go to the first available meeting after the penalty is paid as long as it is before the August 9th date. If the penalty is not paid until August 15th, another new application and everything associated with the new application will have to be resubmitted.

If the application is a renewal and is on time, the license will automatically be extended to the board meeting that the board has designated. If the contractor does not supply the missing information or correct the problem the board mentioned, the license will expire at the assigned board date but the application itself has a full 90 days from the meeting that it was placed in IMPROVE status to be completed.

EX: The licensed contractor has a license that expires on March 31. The renewal is submitted on March 29th but the financial statement is missing. We receive the financial on May 1st. The renewal application goes to the board on May 9th but there is a negative working capital and the board places the application in IMPROVE status. The contractor is sent a letter and the "APPLICATION" is extended to August 9th (90days from the board date). In this letter the contractor is told that the board did not approve the license because of the negative working capital. Further, the board date deadline to furnish any new information is July 16th to be presented at the meeting scheduled for July 25th. The license will expire on July 25th if the working capital has not been corrected either with a new financial of a different period, an additional paid in capital adjustment and a subsequent action letter or an appearance before the board. The application however will still be good until August 9th.

Subsequent Action Letter:

The Contractors Board does not accept indemnity agreements as a rule. Instead they have, as a way to avoid another review cost by the contractor, a subsequent action letter. The board has set the following guidelines to accept this letter:

A subsequent action letter should come from the CPA that completed the review or audited financial statement. In this letter, the statements are made that the stockholder(s) made a deposit in the form of additional paid in capital on a specific date for the sole purpose of meeting the financial requirement needed to get the license. When the CPA sends this letter he/she is assuring the board that the deposit was made, recorded in the minutes of the corporation, etc., and that amount will become part of the equity section of the balance sheet as additional paid in capital. I will make a note on the data base and look for the additional paid in capital amount the next year the financial is submitted. If it is not there, the application will go before the board and the CPA as well as the contractor will have to explain why. This subsequent action will only be offered on financials that are submitted within a reasonable time frame to justify the additional capital adjustment.

EX: The initial financial statement was for the period ending 12-31 we received the renewal on March 30 in this case we would accept a subsequent action letter.

EX: The initial financial statement was for the period ending 12-31 but we did not receive it until August then the time period would be too long and a subsequent action would not be accepted. In construction 6 months can make a lot of difference in the financial condition of the company and the 12-31 numbers would not necessarily represent the current financial condition.

Letter of Concern (LOC):

There are minimum net worth requirements for each classification as defined in ACT 150 (see chart, paragraph b) the commercial license also has a working capital requirement as defined in Act 150, 224-25-6 (paragraph c) of the Rules and Regulations.

224-25-6 FINANCIAL REQUIREMENTS

(a) All applications must contain an audited or reviewed financial statement of the applicant's year end or more current, and prepared in accordance with GAAP guidelines, of the company, and an audited Opinion Letter or Review Report from an Independent CPA or RPA.

(b) Minimum Business Related Net Worth (new and renewal applications). Minimum Business Related Net Worth for Classification(s) Requested: (Property not used for Business purposes is not acceptable.) New applicants must have one half (1/2) of the minimum Net Worth requirement in cash.

HEAVY	\$50,000
HIGHWAY, RAILROAD, AIRPORT	50,000
MUNICIPAL & UTILITY	50,000
BUILDING	50,000
LIGHT BUILDING	20,000
MECHANICAL	20,000
ELECTRICAL	20,000
SPECIALTY	5,000

(c) Working Capital will also be reviewed and considered in determining whether to issue a new or renewal license. New applicants are required to show a positive working capital.

If the company has been licensed for several years and this is the first year there is a problem, they have authorized me to send a Letter of Concern. The letter of concern will state that the board has approved the license but has noted a decline in the financial condition of the company and warn that this needs to be addressed so that it does not decline further. If a Letter of Concern (LOC) is sent and the next year the working capital is still negative, the board looks at how much it has declined and how strong the net worth is and whether or not the CPA has issued a going concern. If there is no going concern the board will look to see if the company has restructured the equipment encumbrances which may increase the current notes payables. If this is not the case the board may choose to send a Strong Letter of Concern (SLOC). This letter will state that an improvement must be made the next year or the license will not be renewed.

When a LOC is sent, as long as there is improvement in the financial condition of the company, the board will continue to work with the company but, if there is further decline, the board may ask the contractor to appear at a meeting to discuss what business plan the company has in place to correct the situation. The board does have the authority to deny the license but they look at an overall consequence of that action. When a license is denied, it takes the ability of that contractor to work away and removes the financial means to pay subs and suppliers. As I have said before we are here

Fees:

There are fees that have not been charged in the past that will soon be charged. This is primarily due to the increase in incomplete renewal applications. Approximately 50% of all our renewals last year

were placed in pending because of incomplete applications mostly due to no financials provided at the time of the renewal. These fees are listed below:

Contractor Licensing Board

Fee's

Description	Reason	Amount
Incomplete Renewal Applications – Commercial	Late fee of	\$50.00
Incomplete Renewal Applications – Residential	Late fee of	\$50.00
Incomplete Renewal Applications – Unlimited HI	Late fee of	\$25.00
Incomplete Renewal Applications – Limited HI	Late fee of	\$25.00
Commercial Add Classification	New App Fee of	\$100.00
Commercial – Additional Time to Submit F/S	Renewal Fee of	\$50.00
Commercial – Coming out of Inactive	Renewal Fee of	\$50.00
Residential – Additional Time to Submit F/S	Renewal Fee of	\$50.00
Residential – Coming out of Inactive	Renewal Fee of	\$50.00
Residential – Returning to Commercial	New App Fee of	\$100.00
HI – Add Classification	New App Fee of	\$50.00
HI – Additional Time to Submit F/S	Renewal Fee of	\$25.00
HI – Coming out of Inactive	Renewal Fee of	\$25.00
HI – Upgrade to Unlimited from Limited	New App Fee of	\$50.00
HI – Returning to Residential Builder or Com	New App Fee of	\$100.00
Raise price of Books from \$35 to \$50	Book fee addition	\$15.00

Incomplete Application:

Any timely commercial renewal application would include:

1. Application
2. Fee
3. A reviewed financial statement
4. All questions are answered and the application is properly signed and notarized.
5. A current workers compensation policy if the company has employees.
6. A current \$10,000 contractors Bond. The license can be renewed without the bond or workers compensation, but will not activated.

If any of the items listed above is missing when the application is submitted then that would constitute an incomplete application. An incomplete application requires a culling process by the staff and requires a letter to be sent, the application has to be monitored by staff to send additional reminders of missing information and deadlines. Almost 50% of the renewal applications go into the pending carts for missing information. When you have thousands of applications going into pending it requires many hours of additional work on the part of staff to maintain the records. We do not want to take this service away from the contractor but on the other hand it has become a financial burden on the agency because of the time required to keep up with it. We realize that tax season puts an extra burden on the CPA's to provide the reviews so we offered the service, in the past, of

extending the license if the fee and application are received in a timely manner to help eliminate the stress of the CPA and contractor.

EX: A renewal application is received on 4-15-2014 and has an expiration date of 4-30-2014. The financial statement was not with the renewal. The application is incomplete. If the financial is received by the expiration date of 4-30-2014, the application will then be considered complete and no additional fee will be applied. If the financial is not received until May 20th, the additional fee will be assessed.

The license will still be extended, as we discussed earlier, to the 4th Friday of the second month for commercial applications and the Wednesday before the 4th Friday for the Residential licenses. If there is extra time required to supply the financial from that date, another fee will be charged when we receive the written request for more time to be extended. The board must approve all requests for more time.

EX: A renewal application is received on 4-15-2014 and has an expiration date of 4-30-2014. The application is not signed. The application is incomplete. If the contractor sends a signed copy in to us by the expiration date of 4-30-2014, the application will then be considered complete and no additional fee will be applied. If the signed application is not received until after May 1st, the additional fee will be assessed.

Any timely residential builders or unlimited remodeler renewal application would include:

1. Application
2. Fee
3. A compiled financial statement
4. All questions are answered and the application is properly signed and notarized.
5. A current workers compensation policy if the company has employees.

The license can be renewed without the workers compensation, but will not released.

Any timely residential home improvement limited renewal application would include:

1. Application
2. Fee
3. All questions are answered and the application is properly signed and notarized.

**WE NEED THE REVIEW OR AUDITED STATEMENT ON THE CPA
LETTERHEAD WITH A PHONE NUMBER TO CALL IF THERE IS A
QUESTION.**

If the review or audit is signed as a company it would be really nice to know who the contact CPA would be within the company if there are any questions.